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Deputy Director of Central Intelligence

11 September 1951

Assistant Director, Research and Reports

Draft Report on Trade of Western European Members of NATO with the Soviet Bloc in the Light of Section 1302 of the Third Supplemental Appropriation Act, 1951

REFERENCE: NSC Determination No. 1

The draft report on the Western European members of NATO proposes that an exception under the Kees Amendment be granted to each of these countries.

The draft report recognizes that goods of strategic importance are continuing to be shipped from these NATO countries to the Soviet Bloc. These goods are considered in the report to be largely of secondary strategic importance and their export to the Soviet Bloc as necessary to obtain essential imports of coal, lumber, and grain.

As an interim action, the proposed granting of the exception appears to be in the security interest of the United States.

From an intelligence point of view, certain of the estimates in the report are misleading. The appraisal of the strategic importance to the Soviet Bloc of the exports of these NATO countries (paragraph 2, page 6) does not conform strictly to the estimates contained in OIR Document 5447 and NIP-22. The estimate of the degree of self-sufficiency of the Soviet Bloc (paragraph 20, page 11), while accurate for a normal peacetime situation, is not true in an appraisal of Soviet needs for development of its war potential. This estimate also is inconsistent with the appraisals contained in OIR Document 5447 and NIP-22.

The comparison of the international export controls with those of the U.S. (paragraph 14, page 8) is misleading, as the comparison is based upon list criteria rather than licensing practices and is restricted to the U.S. primary lists (US I and I-A). In practice the U.S. denies, with nominal exceptions, export licenses for shipment to the Soviet Bloc for all items on the U.S. Positive List, which more than doubles the number of items covered by the US I and I-A lists.

The supplement on trade relations with the Soviet Bloc is presented for informational purposes and is not a matter of serious interdepartmental discussion at the present time.

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